

CITY OF ALTOONA
INDEPENDENT AUDITOR'S REPORTS
BASIC FINANCIAL STATEMENTS
SUPPLEMENTARY AND OTHER INFORMATION
SCHEDULE OF FINDINGS

June 30, 2020

CITY OF ALTOONA

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CITY OF ALTOONA

OFFICIALS

(Before January 2020)

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
Dean O'Connor.	Mayor.	Jan 2020
Kyle Mertz.	Mayor Pro-Tem.	Jan 2022
Jeremy Boka.	Council Member.	Jan 2022
Vern Willey II.	Council Member.	Jan 2020
Scott Duer.	Council Member.	Jan 2022
Scott Leighter.	Council Member.	Jan 2020
Jeffery Mark.	City Administrator.	Jun 2020
Randy Pierce.	Clerk/Finance Officer.	Jan 2020
Robert Laden.	Attorney.	Jan 2020

(After January 2020)

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
Dean O'Connor.	Mayor.	Jan 2024
Jeremy Boka.	Mayor Pro-Tem.	Jan 2022
Kyle Mertz.	Council Member.	Jan 2022
Vern Willey II.	Council Member.	Jan 2024
Scott Duer.	Council Member.	Jan 2022
Elizabeth Burns-Thompson.	Council Member.	Jan 2024
Jeffery Mark.	City Administrator.	Jun 2023
Randy Pierce.	Clerk/Finance Officer.	Jan 2022
Robert Laden.	Attorney.	Jan 2021

City of Altoona



MARTENS & COMPANY, CPA, LLP

CERTIFIED PUBLIC ACCOUNTANTS

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West Des Moines, Iowa 50266

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Independent Auditor's Report

To the Honorable Mayor and
Members of the City Council:

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of the City of Altoona, Iowa, as of and for the year ended June 30, 2020 and the related Notes to the Financial Statements, which collectively comprise the City's basic financial statements listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with the cash basis of accounting described in Note 1. This includes determining the cash basis of accounting is an acceptable basis for the preparation of the financial statements in the circumstances. This includes the design, implementation and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the City's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective cash basis financial position of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of the City of Altoona as of June 30, 2020 and the respective changes in the cash basis financial position for the year then ended in accordance with the basis of accounting described in Note

1.

Basis of Accounting

As described in Note 1, these financial statements were prepared on the basis of cash receipts and disbursements, which is a basis of accounting other than U.S. generally accepted accounting principles. Our opinions are not modified with respect to this matter.

Other Matters

Supplementary and Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Altoona's basic financial statements. We previously audited, in accordance with the standards referred to in the third paragraph of this report, the financial statements for the nine years ended June 30, 2019 (which are not presented herein) and expressed unmodified opinions on those financial statements which were prepared on the basis of cash receipts and disbursements. The supplementary information included in Schedules 1 through 5, is presented for purposes of additional analysis and is not a required part of the basic financial statements.

The supplementary information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with U.S. generally accepted auditing standards. In our opinion, the supplementary information is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

The other information, Management's Discussion and Analysis, the Budgetary Comparison Information, the Schedule of the City of Altoona's Proportionate Share of the Net Pension Liability and the Schedule of the City of Altoona Contributions on pages 7 through 12 and 44 through 49 has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on it.

Other Reporting Required by Government Auditing Standards

In accordance with Government Auditing Standards, we have also issued our report dated October 6, 2020 on our consideration of the City of Altoona's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the effectiveness of the City's internal control over financial reporting or compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards in considering the City of Altoona's internal control over financial reporting and compliance.

Martens & Company, CPA, LLP

West Des Moines, Iowa
October 6, 2020

MANAGEMENT'S DISCUSSION AND ANALYSIS

The City of Altoona provides this Management's Discussion and Analysis of its financial statements. This narrative overview and analysis of the financial activities is for the fiscal year ended June 30, 2020. We encourage readers to consider this information in conjunction with the City's financial statements, which follow.

2020 FINANCIAL HIGHLIGHTS

- Receipts of the City's governmental activities increased 93%, or approximately \$34,342,000 from fiscal year 2019 to fiscal year 2020. Bond proceeds increased by approximately \$29,894,000.
- Disbursements of the City's governmental activities increased 107%, or approximately \$38,777,000, from fiscal year 2019 to fiscal year 2020. Capital projects increased approximately \$36,159,000 and public safety decreased approximately \$873,000.
- The City's total cash basis net position increased 1.4% or approximately \$615,000 from fiscal year 2019 to fiscal year 2020. Of this amount, the cash basis net position of the governmental activities decreased approximately \$2,615,000 and the cash basis net position of the business type activities increased approximately \$3,230,000.

USING THIS ANNUAL REPORT

The annual report consists of a series of financial statements as well as other information, as follows:

Management's Discussion and Analysis introduces the basic financial statements and provides an analytical overview of the City's financial activities.

The Government-wide Financial Statements consist of a Cash Basis Statement of Activities and Net Position. This statement provides information about the activities of the City as a whole and presents an overall view of the City's finances.

The Fund Financial Statements tell how governmental services were financed as well as what remains for future spending. Fund financial statements report the City's operations in more detail than the government-wide financial statement by providing information about the most significant funds.

Notes to the financial statements provide additional information that is essential to a full understanding of the data provided in the basic financial statements.

Other Information further explains and supports the financial statements with a comparison of the City's budget for the year and the City's proportionate share of the net pension liability and related contributions.

Supplementary Information provides detailed information about nonmajor governmental funds, capital projects and the City's indebtedness.

BASIS OF ACCOUNTING

The City maintains its financial records on the basis of cash receipts and disbursements and the financial statements of the City are prepared on that basis. The cash basis of accounting does not give effect to accounts receivable, accounts payable and accrued items. Accordingly, the financial statements do not present financial position and results of operations of the funds in accordance with U.S. generally accepted accounting principles. Therefore, when reviewing the financial information and discussion within this annual report, the reader should keep in mind the limitations resulting from the use of the cash basis of accounting.

REPORTING THE CITY'S FINANCIAL ACTIVITIES

Government-wide Financial Statement

One of the most important questions asked about the City's finances is, "Is the City as a whole better off or worse off as a result of the year's activities?" The Statement of Activities and Net Position reports information which helps answer this question.

The Cash Basis Statement of Activities and Net Position presents the City's net position. Over time, increases or decreases in the City's net position may serve as a useful indicator of whether the financial position of the City is improving or deteriorating.

The Cash Basis Statement of Activities and Net Position is divided into two kinds of activities:

- Governmental Activities include public safety, public works, health and social services, culture and recreation, community and economic development, general government, debt service and capital projects. Property tax and grants finance most of these activities.
- Business Type Activities include the waterworks, the sanitary sewer system, storm water, garbage and recycling collection. These activities are financed primarily by user charges.

Fund Financial Statements

The City has two kinds of funds:

1) Governmental funds account for most of the City's basic services. These focus on how money flows into and out of those funds and the balances at year-end that are available for spending. Governmental funds include: 1) the General Fund, 2) the Special Revenue Funds such as Road Use Tax and Urban Renewal Tax Increment, 3) the Debt Service Fund and 4) the Capital Projects Fund. The government fund financial statements provide a detailed view of the City's general government operations and the basic services it provides. Governmental fund information helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance the City's programs.

The required financial statement for governmental funds is a Statement of Cash Receipts, Disbursements and Changes in Cash Balances.

2) Proprietary funds account for the City's Enterprise Funds and the Internal Service Fund. Enterprise Funds are used to report business type activities. The City maintains six Enterprise Funds to provide separate information for the water, water deposits, sewer, garbage, storm water and recycling funds, considered to be major funds of the City. Internal Service Funds are an accounting device used to accumulate and allocate costs internally among the City's various functions.

The required financial statement for proprietary funds is a Statement of Cash Receipts, Disbursements and Changes in Cash Balances.

Reconciliations between the government-wide financial statement and the fund financial statements follow the fund financial statements.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Net position may serve over time as a useful indicator of financial position. The City's cash balance for governmental activities has decreased from a year ago, decreasing from approximately \$27.012 million to approximately \$24.397 million. The analysis that follows focuses on the changes in cash basis net position of governmental activities.

Changes in Cash Basis Net Position of Governmental Activities (Expressed in Thousands)		
	Year ended June 30,	
	2020	2019
Receipts:		
Program receipts:		
Charges for service	\$ 5,504	\$ 4,910
Operating grants, contributions and restricted interest	2,387	2,443
Capital grants, contributions and restricted interest	234	494
General receipts:		
Property tax, including tax increment financing	19,539	17,520
Other City taxes	3,438	1,492
Grants and contributions not restricted to specific purposes	1,110	1,221
Commercial and industrial replacement	823	703
Unrestricted interest on investments	569	835
Bond proceeds	37,003	7,109
Other general receipts	591	129
Total receipts	<u>71,198</u>	<u>36,856</u>
Disbursements:		
Public safety	8,360	9,233
Public works	2,179	2,062
Health and social services	25	27
Culture and recreation	2,681	2,258
Community and economic development	7,816	5,564
General government	2,005	1,390
Debt service	7,462	7,376
Capital projects	<u>44,512</u>	<u>8,353</u>
Total disbursements	<u>75,040</u>	<u>36,263</u>
Change in cash basis net position before transfers	(3,842)	593
Transfers, net	<u>1,227</u>	<u>1,177</u>
Change in cash basis net position	(2,615)	1,770
Cash basis net position beginning of year	<u>27,012</u>	<u>25,242</u>
Cash basis net position end of year	<u>\$ 24,397</u>	<u>\$ 27,012</u>

The City's total receipts for governmental activities increased by 93.18% or approximately \$34,300,000 from the prior year. The total cost of all programs and services increased approximately \$38,800,000 or 106.93% primarily due to an increase in Capital Project payments. The increase in receipts was primarily the result of an increase in bond proceeds.

Based on increases in the total assessed valuation, property tax receipts are budgeted to increase by an additional \$1,555,000 next year or 17.87%.

The cost of all governmental activities this year was \$75.040 million compared to \$36.263 million last year. However, as shown in the Cash Basis Statement of Activities and Net Position - on pages 14 - 15, the amount that taxpayers ultimately financed for these activities was approximately \$66.915 million because some of the cost was paid by those directly benefitted from the programs (\$5.504 million) or by other governments and organizations that subsidized certain programs with grants and contributions (\$2.621 million). Overall, the City's governmental activities program receipts, including intergovernmental aid and fees for service, increased in fiscal year 2020 from approximately \$7.847 million to approximately \$8.125 million principally due to an increase in charges for services. The City paid for the remaining public benefit portion of governmental activities with approximately \$22.977 million in tax (some of which could only be used for certain programs), bond proceeds of approximately \$37.003 million, and other receipts, such as interest, and general receipts.

Changes in Cash Basis Net Position of Business Type Activities (Expressed in Thousands)		
	Year ended June 30,	
	2020	2019
Receipts:		
Program receipts:		
Charges for service:		
Water	\$ 4,868	\$ 4,786
Sewer	6,563	5,315
Water deposits	64	60
Garbage	609	589
Recycling	240	197
Storm water	922	896
General receipts:		
Unrestricted interest on investments	15	22
Other general receipts	50	56
Total receipts	<u>13,331</u>	<u>11,921</u>
Disbursements:		
Water	3,182	2,427
Sewer	4,209	5,439
Garbage	598	605
Water deposits	57	59
Storm water	583	1,260
Recycling	<u>245</u>	<u>177</u>
Total disbursements	<u>8,874</u>	<u>9,967</u>
Change in cash basis net position before transfers	4,457	1,954
Transfers, net	<u>(1,227)</u>	<u>(1,177)</u>
Change in cash basis net position	3,230	777
Cash basis net position beginning of year	<u>16,676</u>	<u>15,899</u>
Cash basis net position end of year	<u>\$ 19,906</u>	<u>\$ 16,676</u>

Total business type activities receipts for the fiscal year were \$13.3 million compared to \$11.9 million last year. This increase was due primarily to an increase in new construction and permits paying minimum bills prior to usage. The cash balance increased by approximately \$3,230,000 from the prior year. Total disbursements for the fiscal year decreased approximately 10.97% to a total of \$8.87 million.

INDIVIDUAL MAJOR GOVERNMENTAL FUND ANALYSIS

As the City of Altoona completed the year, its governmental funds reported a combined fund balance of \$23.844 million, a decrease of approximately \$2.970 million over last year's total of \$26.814 million. The following are the major reasons for the changes in fund balances of the major funds from the prior year.

- The General Fund cash balance increased approximately \$1,126,000 from the prior year to approximately \$10,159,000. This was primarily because of increased license and permit receipts, property tax, and sales tax refunds.
- The Special Revenue, Road Use Tax Fund cash balance increased approximately \$81,000 to approximately \$708,000 during the fiscal year. This increase was attributable to increased Transfers In.
- The Special Revenue, Urban Renewal Tax Increment Fund (TIF) increased approximately \$503,000 to approximately \$5,299,000 during the fiscal year. The increase is primarily the result of an increase in the TIF tax collected.
- The Capital Projects Fund decreased approximately \$6,425,000 to approximately \$5,542,000. The decrease was due to spending on capital projects funded by previous bond issues.
- The Debt Service Fund cash balance increased approximately \$134,000 to approximately \$515,000 during the fiscal year. The increase was primarily due to transfers to the debt service fund.

INDIVIDUAL MAJOR BUSINESS TYPE FUND ANALYSIS

- The Enterprise, Water Fund cash balance increased approximately \$1,183,000 to approximately \$8,580,000 due primarily to a decrease in operating costs and increased charges for service.
- The Enterprise, Sewer Fund cash balance increased approximately \$1,801,000 to approximately \$9,791,000, due primarily to increased charges for service and reduced debt service and capital project payments.
- The Enterprise, Water Deposit Fund increased approximately \$7,000 to approximately \$129,000.
- The Enterprise, Garbage Fund increased approximately \$15,000 to approximately \$167,000 due to an increase in charges for service.
- The Enterprise, Recycling Fund decreased approximately \$6,000.
- The Enterprise, Storm Water Utility Fund increased approximately \$217,000 to approximately \$1,150,000 due to decreased transfers out.

BUDGETARY HIGHLIGHTS

Over the course of the year, the City did not amend its operating budget.

The City's receipts were approximately \$6,019,000 more than budgeted. This was primarily due to the City receiving approximately \$2,177,000 more in charges for services and approximately \$4,162,000 more in licenses and permits.

Total disbursements were approximately \$30,528,000 more than the budget. This was primarily due to capital projects disbursements being approximately \$36,709,000 more than budgeted and business type activities being approximately \$5,855,000 less than budgeted. The city exceeded the amounts budgeted in the public safety

public works, community and economic development, debt service and capital project functions for the year ended June 30, 2020.

DEBT ADMINISTRATION

At June 30, 2020, the City had \$97,323,450 in bonds and other long-term debt compared to \$71,030,000 last year, as shown below.

	Outstanding Debt at Year-End (Expressed in Thousands)	
	June 30	
	2020	2019
General obligation bonds	\$ 59,678	\$ 32,430
Annual appropriation general obligation bonds	<u>37,645</u>	<u>38,600</u>
	<u>\$ 97,323</u>	<u>\$ 71,030</u>

The City's general obligation bond rating continues to carry an Aa3 rating, a rating that has been assigned by national rating agencies to the City's debt since 1997. The Constitution of the State of Iowa limits the amount of general obligation debt that cities can issue to 5% of the assessed value of all taxable property within the City's corporate limits. The City's outstanding general obligation, tax increment financing debt and the current portion of developer rebate agreements is significantly below its constitutional debt limit of approximately \$91 million. Additional information about the City's long-term liabilities is presented in Note 3 to the financial statements.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

The City's elected and appointed officials and citizens considered many factors when setting the 2020 fiscal year budget, tax rates, and fees that will be charged for various City activities. One of those factors is the economy. The City's population growth since the 2000 census stands at 29%. Unemployment in the county now stands at 9.6%. This compares with the state unemployment rate of 7.9%.

The U.S. Consumer Price Index (CPI) is a measure of the changes in retail prices of a fixed market grouping of consumer goods and services. The CPI-U for July 2019 was 256.57 For the 12 month period that ended in July, 2020 the CPI-U was 240.43.

These indicators were taken into account when adopting the budget for 2021. Amounts available for appropriation in the budget are \$1,511,858, an increase of 16.6% over the final 2020 budget. Property tax and proceeds from the tax increment financing revenue are expected to lead this increase. The City will use these to finance programs currently offered and to defray the costs of carrying out the City's continued economic development. Budgeted disbursements are expected to increase by approximately \$4.3 million. An increase in debt service activities represents the largest increase.

If these estimates are realized, the City's budgeted cash balance is expected to decrease by approximately \$4,300,000 by the close of fiscal year 2021.

CONTACTING THE CITY'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, customers, and creditors with a general overview of the City's finances and to show the City's accountability for the money it receives. If you have questions about this report or need additional financial information, contact Randy Pierce, City Clerk/Finance Officer, 900 Venbury Drive, Suite A, Altoona, Iowa 50009.

Basic Financial Statements

CITY OF ALTOONA

Cash Basis Statement of Activities and Net Position

As of and for the year ended June 30, 2020

	Disbursements	Program Receipts		
		Charges for Service	Operating Grants Contributions and Restricted Interest	Capital Grants, Contributions and Restricted Interest
Functions/Programs:				
Governmental activities:				
Public safety	\$ 8,360,384	\$ 2,073,956	\$ 258,504	\$ -
Public works	2,178,716	-	1,878,896	-
Health and social services	25,000	-	-	-
Culture and recreation	2,681,384	26,312	188,607	-
Community and economic development	7,815,898	42,505	60,661	-
General government	2,004,738	3,361,386	-	-
Debt service	7,461,726	-	-	-
Capital projects	44,511,845	-	-	233,768
Total governmental activities	<u>75,039,691</u>	<u>5,504,159</u>	<u>2,386,668</u>	<u>233,768</u>
Business type activities:				
Water	3,182,024	4,868,593	42,911	-
Sewer	4,208,878	6,562,695	3,234	-
Garbage	597,831	609,466	3,470	-
Water deposits	57,182	64,500	-	-
Storm water	582,421	921,810	-	-
Recycling	245,288	239,719	-	-
Total business type activities	<u>8,873,624</u>	<u>13,266,783</u>	<u>49,615</u>	<u>-</u>
Total	<u><u>\$ 83,913,315</u></u>	<u><u>\$18,770,942</u></u>	<u><u>\$2,436,283</u></u>	<u><u>\$233,768</u></u>

General receipts and transfers:

Property and other city tax levied for:
 General purposes
 Employee benefits
 Debt service
 Tax increment financing
 Hotel/motel tax
 Grants and contributions not restricted
 to specific purpose
 Commercial and industrial replacement
 Unrestricted interest on investments
 Bond proceeds
 Bond premium
 Miscellaneous
 Transfers

Total general receipts and transfers

Change in cash basis net position

Cash basis net position beginning of year

Cash basis net position end of year

Cash Basis Net Position

Restricted:

Expendable:

Streets
 Urban renewal
 Debt service
 Capital project funds
 Customer deposits

Unrestricted

Total cash basis net position

See notes to financial statements.

Net (Disbursements) Receipts and Changes in Cash Basis Net Position		
Governmental Activities	Business Type Activities	Total
\$ (6,027,924)	\$ -	\$ (6,027,924)
(299,820)	-	(299,820)
(25,000)	-	(25,000)
(2,466,465)	-	(2,466,465)
(7,712,732)	-	(7,712,732)
1,356,648	-	1,356,648
(7,461,726)	-	(7,461,726)
(44,278,077)	-	(44,278,077)
(66,915,096)	-	(66,915,096)
-	1,729,480	1,729,480
-	2,357,051	2,357,051
-	15,105	15,105
-	7,318	7,318
-	339,389	339,389
-	(5,569)	(5,569)
-	4,442,774	4,442,774
(66,915,096)	4,442,774	(62,472,322)
7,108,335	-	7,108,335
1,273,734	-	1,273,734
484,440	-	484,440
10,672,434	-	10,672,434
2,023,871	-	2,023,871
1,414,404	-	1,414,404
1,109,537	-	1,109,537
822,627	-	822,627
568,626	14,870	583,496
31,048,450	-	31,048,450
5,954,748	-	5,954,748
591,203	-	591,203
1,227,204	(1,227,204)	-
64,299,613	(1,212,334)	63,087,279
(2,615,483)	3,230,440	614,957
27,012,233	16,675,924	43,688,157
\$ 24,396,750	\$19,906,364	\$ 44,303,114
\$ 707,645	\$ -	\$ 707,645
5,298,537	-	5,298,537
1,621,500	-	1,621,500
515,400	-	515,400
5,541,919	-	5,541,919
-	128,662	128,662
10,711,749	19,777,702	30,489,451
\$24,396,750	\$19,906,364	\$ 44,303,114

CITY OF ALTOONA

Statement of Cash Receipts, Disbursements and Changes in Cash Balances
Governmental Funds

As of and for the year ended June 30, 2020

	General	Special Revenue	
		Road Use Tax	Urban Renewal Tax Increment
Receipts:			
Property tax	\$ 7,108,335	\$ -	\$ -
Tax increment financing	-	-	10,672,434
Other City tax	1,414,404	-	-
Lottery revenue	784,433	-	-
Licenses and permits	4,782,065	-	-
Uses of money and property	619,110	-	-
Intergovernmental	991,789	1,878,896	438,571
Charges for service	631,555	-	-
Special assessments	-	-	-
Miscellaneous	740,756	-	58,133
Total receipts	17,072,447	1,878,896	11,169,138
Disbursements:			
Operating:			
Public safety	6,988,087	-	-
Public works	129,197	1,997,519	-
Health and social services	25,000	-	-
Culture and recreation	2,385,899	-	-
Community and economic development	5,019,874	-	2,753,655
General government	1,893,603	-	-
Debt service	-	-	-
Capital projects	-	-	-
Total disbursements	16,441,660	1,997,519	2,753,655
Excess (deficiency) of receipts over (under) disbursements	630,787	(118,623)	8,415,483
Other financing sources (uses):			
Bond proceeds	-	-	-
Bond premium	-	-	-
Transfers in	1,645,381	200,000	-
Transfers out	(1,150,000)	-	(7,912,066)
Total other financing sources (uses)	495,381	200,000	(7,912,066)
Change in cash balances	1,126,168	81,377	503,417
Cash balances beginning of year, as restated	9,033,045	626,268	4,795,119
Cash balances end of year	\$10,159,213	\$ 707,645	\$ 5,298,536
Cash Basis Fund Balances			
Restricted for:			
Debt service	\$ -	\$ -	\$ -
Urban renewal projects	-	-	5,298,536
Streets	-	707,645	-
Other purposes	-	-	-
Capital project funds	-	-	-
Unassigned	10,159,213	-	-
Total cash basis fund balances	\$10,159,213	\$ 707,645	\$5,298,536

See notes to financial statements.

Debt Service	Capital Projects	Nonmajor	Total
\$ 473,939	\$ -	\$ 1,273,734	\$ 8,856,008
-	-	-	10,672,434
-	-	2,023,871	3,438,275
-	-	-	784,433
-	-	-	4,782,065
-	493	-	619,603
20,263	-	37,201	3,366,720
-	-	-	631,555
10,500	-	-	10,500
-	233,275	50	1,032,214
504,702	233,768	3,334,856	34,193,807
-	-	953,416	7,941,503
-	-	-	2,126,716
-	-	-	25,000
-	-	170,650	2,556,549
-	-	42,369	7,815,898
-	-	111,135	2,004,738
7,461,726	-	-	7,461,726
-	44,511,846	-	44,511,846
7,461,726	44,511,846	1,277,570	74,443,976
(6,957,024)	(44,278,078)	2,057,286	(40,250,169)
-	31,048,450	-	31,048,450
-	5,954,748	-	5,954,748
7,093,889	850,000	-	9,789,270
-	-	(450,000)	(9,512,066)
7,093,889	37,853,198	(450,000)	37,280,402
133,865	(6,424,880)	1,607,286	(2,969,767)
378,535	11,966,799	14,214	26,813,980
\$ 515,400	\$ 5,541,919	\$ 1,621,500	\$23,844,213
\$ 515,400	\$ -	\$ -	\$ 515,400
-	-	-	5,298,537
-	-	-	707,645
-	-	1,621,500	1,621,500
-	5,541,919	-	5,541,919
-	-	-	10,159,213
\$ 515,400	\$ 5,541,919	\$ 1,621,500	\$23,844,213

CITY OF ALTOONA

Reconciliation of the Statement of Cash Receipts,
Disbursements and Changes in Cash Balances
to the Cash Basis Statement of Activities and Net Position -
Governmental Funds

As of and for the year ended June 30, 2020

Total governmental funds cash balances (pages 16-17) \$ 23,844,213

***Amounts reported for governmental activities in the Cash Basis Statement of
Activities and Net Position are different because:***

The Internal Service Fund is used by management to charge the costs of partial self funding of the City's equipment purchases to individual funds. A portion of the cash balance of the Internal Service Fund is included in governmental activities in the Cash Basis Statement of Activities and Net Position.

552,537

Cash basis net position of governmental activities (pages 14-15) \$ 24,396,750

Change in cash balances (pages 16-17) \$ (2,969,767)

***Amounts reported for governmental activities in the Cash Basis Statement of
Activities and Net Position are different because:***

The Internal Service Fund is used by management to charge the costs of equipment replacement to individual funds. A portion of the change in the cash balance of the Internal Service Fund is reported with government activities in the Cash Basis Statement of Activities and Net Position.

354,284

Change in cash basis net position of governmental activities (pages 14-15) \$ 2,615,483

See notes to financial statements.

City of Altoona

CITY OF ALTOONA

Statement of Cash Receipts, Disbursements and
Changes in Cash Balances
Proprietary Funds

As of and for the year ended June 30, 2020

	Enterprise			
	Water	Sewer	Water Deposits	Garbage
Operating receipts:				
Charges for service	\$4,868,595	\$6,562,695	\$ 64,500	\$609,466
Total operating receipts	4,868,585	6,562,695	64,500	609,466
Operating disbursements:				
Governmental activities:				
Public safety	-	-	-	-
Public works	-	-	-	-
Culture and recreation	-	-	-	-
Business type activities:	1,864,076	3,457,363	57,182	597,831
Total operating disbursements	1,864,076	3,457,363	57,182	597,831
Excess (deficiency) of operating receipts over (under) operating disbursements	3,004,519	3,105,332	7,318	11,635
Non-operating receipts (disbursements):				
Interest on investments	5,781	9,089	-	-
Miscellaneous	42,910	3,234	-	3,470
Capital projects	(1,317,948)	(719,009)	-	-
Net non-operating receipts (disbursements)	(1,269,257)	(706,686)	-	3,470
Excess (deficiency) of receipts over (under) disbursements	1,735,262	2,398,646	7,318	15,105
Other financing sources (uses):				
Transfers in	-	-	-	-
Transfers (out)	(552,252)	(597,252)	-	-
Net transfers	(552,252)	(597,252)	-	-
Change in cash balances	1,183,010	1,801,394	7,318	15,105
Cash balances beginning of year	7,396,938	7,989,133	121,344	152,343
Cash balances end of year	<u>\$8,579,948</u>	<u>\$9,790,527</u>	<u>\$128,662</u>	<u>\$167,448</u>
Restricted for customer meter deposits	\$ -	\$ -	\$128,662	\$ -
Unrestricted	8,579,948	9,790,527	-	167,448
Total cash basis fund balances	<u>\$8,579,948</u>	<u>\$9,790,527</u>	<u>\$128,662</u>	<u>\$167,448</u>

See notes to financial statements.

			Internal Service Equipment Replacement
Storm Water	Recycling	Total	
\$ 921,808	\$239,719	\$13,266,783	\$ -
921,808	239,719	13,266,783	-
-	-	-	418,881
-	-	-	52,000
-	-	-	124,835
323,187	245,288	-	32,506
323,187	245,288	6,544,927	628,222
598,621	(5,569)	6,721,856	(628,222)
-	-	14,870	-
-	-	49,614	-
(259,233)	-	(2,296,190)	-
(259,233)	-	(2,231,706)	-
339,388	(5,569)	4,490,150	(628,222)
-	-	-	995,000
(122,700)	-	(1,272,204)	-
(122,700)	-	(1,272,204)	995,000
216,688	(5,569)	3,217,946	366,778
933,042	32,987	16,625,787	248,390
<u>\$1,149,730</u>	<u>\$ 27,418</u>	<u>\$19,843,733</u>	<u>\$ 615,168</u>
\$ -	\$ -	\$ 128,662	\$ -
1,149,730	27,418	19,715,071	615,168
<u>\$1,149,730</u>	<u>\$ 27,418</u>	<u>\$19,843,733</u>	<u>\$ 615,168</u>

CITY OF ALTOONA

Reconciliation of the Statement of Cash Receipts, Disbursements
and Changes in Cash Balances
to the Cash Basis Statement of Activities and Net Position -
Proprietary Funds

As of and for the year ended June 30, 2020

Total enterprise funds cash balances (pages 20-21) \$ 19,843,733

***Amounts reported for business type activities in the Statement of
Activities and Net Position are different because:***

The Internal Service Fund is used by management to charge the costs of partial self funding of the City's equipment purchases to individual funds. A portion of the cash balance of the Internal Service Fund is included in business type activities in the Cash Basis Statement of Activities and Net Position.

62,631

Cash basis net position of business type activities (pages 14-15) \$ 19,906,364

Change in cash balances (pages 20-21) \$ 3,217,946

***Amounts reported for business type activities in the Cash Basis Statement
of Activities and Net Position are different because:***

The Internal Service Fund is used by management to charge the costs of partial self funding of the equipment purchases to individual funds. A portion of the change in the cash balance of the Internal Service Fund is reported with business type activities in the Cash Basis Statement of Activities and Net Position.

12,494

Change in cash basis net position of business type activities (pages 14-15) \$ 3,230,440

See notes to financial statements.

CITY OF ALTOONA

Notes to Financial Statements

June 30, 2020

(1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The City of Altoona is a political subdivision of the State of Iowa located in Polk County. It was first incorporated in 1876 and operates under the Home Rule provisions of the Constitution of Iowa. The City operates under the Mayor-Council form of government with the Mayor and Council Members elected on a non-partisan basis. The City provides numerous services to citizens including public safety, public works, health and social services, culture and recreation, community and economic development, and general government services. The City also provides water, sewer, garbage, storm water, and recycling utilities for its citizens.

A. Reporting Entity

For financial reporting purposes, the City of Altoona has included all funds, organizations, agencies, boards, commissions and authorities. The City has also considered all potential component units for which it is financially accountable, and other organizations for which the nature and significance of their relationship with the City are such that exclusion would cause the City's financial statements to be misleading or incomplete. The Governmental Accounting Standards Board has set forth criteria to be considered in determining financial accountability. These criteria include appointing a voting majority of an organization's governing body, and (1) the ability of the City to impose its will on that organization or (2) the potential for the organization to provide specific benefits to or impose specific financial burdens on the City. The City of Altoona has no component units which meet the Governmental Accounting Standards Board criteria.

Jointly Governed Organizations

The City participates in several jointly governed organizations that provide goods or services to the citizenry of the City but do not meet criteria of a joint venture since there is no ongoing financial interest or responsibility by the participating governments. City officials are members of the following boards and commissions; The Safety Coalition of Central Iowa Communities, Polk County Aviation Authority, HAZ-MAT Services, Urban Standard Specifications, Snow Removal for various locations, Convention and Visitors Bureau, Des Moines Water Works, Iowa Tobacco Enforcement Compliance, Homeland Security Services, BRAVO, Polk County MTA, Metro Area Fire Mutual Aid, Metro Home Improvement Program, Suburban Emergency Response Team, Urban Design Standards, Central Iowa Traffic Safety Task Force, Polk County Emergency Management Commission, Polk County Assessor's Conference Board, Iowa DOT, SEP School District, Intergovernmental Metro Design Policy, Metro Solid Waste, and Fair Play Agreement.

Joint Ventures

The City also participates in the Des Moines Metropolitan Wastewater Reclamation Authority (WRA). The WRA, a joint venture, was developed as a result of an agreement between the City of Des Moines and surrounding municipalities. (See Note 4)

CITY OF ALTOONA

Notes to Financial Statements - Continued

June 30, 2020

(1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

B. Basis of Presentation

Government-wide Financial Statement - The Cash Basis Statement of Activities and Net Position reports information on all of the nonfiduciary activities of the City. For the most part, the effect of the interfund activity has been removed from this statement. Governmental activities, which are supported by tax and intergovernmental revenues, are reported separately from business type activities, which rely to a significant extent on fees and charges for service.

The Cash Basis Statement of Activities and Net Position presents the City's nonfiduciary net position. Net position is reported in the following categories/components:

Expendable restricted net position results when constraints placed on the use of cash balances are either externally imposed or are imposed by law through constitutional provisions or enabling legislation.

Unrestricted net position consists of cash balances not meeting the definition of the preceding categories. Unrestricted net position is often subject to constraints imposed by management, which can be removed or modified.

The Cash Basis Statement of Activities and Net Position demonstrates the degree to which the direct disbursements of a given function are offset by program receipts. Direct disbursements are those that are clearly identifiable with a specific function. Program receipts include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function and 2) grants, contributions, and interest on investments restricted to meeting the operational or capital requirements of a particular function. Property tax and other items not properly included among program receipts are reported instead as general receipts.

Fund Financial Statements - Separate financial statements are provided for governmental funds and proprietary funds. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements. All remaining governmental funds are aggregated and reported as other nonmajor governmental funds.

The City reports the following major governmental funds:

The General Fund is the general operating fund of the City. All general tax receipts and other receipts not allocated by law or contractual agreement to some other fund are accounted for in this fund. From the fund are paid the general operating disbursements, the fixed charges and the capital improvement costs not paid from other funds.

Special Revenue:

The Road Use Tax Fund is used to account for the road use tax allocation from the State of Iowa to be used for road construction and maintenance.

CITY OF ALTOONA

Notes to Financial Statements - Continued

June 30, 2020

(1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

B. Basis of Presentation - Continued

The Urban Renewal Tax Increment Fund is used to account for tax increment financing collections and the repayment of tax increment financing indebtedness.

The Debt Service Fund is utilized to account for property tax and other revenues to be used for the payment of interest and principal on the City's general long-term debt.

The Capital Projects Fund is utilized in the acquisition and construction of capital facilities with the exception of those that are financed through Enterprise Funds.

The City reports the following major proprietary funds:

The Enterprise, Water Fund accounts for the operation and maintenance of the City's water system.

The Enterprise, Sewer Fund accounts for the operation and maintenance of the City's waste water treatment and sanitary sewer system.

The Enterprise, Water Deposits Fund accounts for water utility deposits by residents.

The Enterprise, Garbage Fund accounts for the operation and maintenance of the City's residential garbage collection system.

The Enterprise, Storm Water Fund accounts for the operation and maintenance of the City's storm water systems.

The Enterprise, Recycling Fund accounts for the operation and maintenance of the City's residential garbage and yard waste recycling system.

The City also reports the following additional proprietary fund:

The equipment replacement fund is an Internal Service Fund utilized to account for the financing of goods or services purchased by one department of the City and provided to other departments or agencies on a cost reimbursement basis.

C. Measurement Focus and Basis of Accounting

The City maintains its financial records on the basis of cash receipts and disbursements and the financial statements of the City are prepared on that basis. The cash basis of accounting does not give effect to accounts receivable, accounts payable and accrued items. Accordingly, the financial statements do not present financial position and results of operations of the funds in accordance with U.S. generally accepted accounting principles.

CITY OF ALTOONA

Notes to Financial Statements - Continued

June 30, 2020

(1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

C. Measurement Focus and Basis of Accounting - Continued

Under the terms of grant agreements, the City funds certain programs by a combination of specific cost-reimbursement grants, categorical block grants and general receipts. Thus, when program disbursements are paid, there are both restricted and unrestricted cash basis net position available to finance the program. It is the City's policy to first apply cost-reimbursement grant resources to such programs, followed by categorical block grants and then by general receipts.

When a disbursement in governmental funds can be paid using either restricted or unrestricted resources, the City's policy is generally to first apply the disbursement toward restricted fund balance and then to less-restrictive classifications - committed, assigned and then unassigned fund balances.

Proprietary funds distinguish operating receipts and disbursements from non-operating items. Operating receipts and disbursements generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. All receipts and disbursements not meeting this definition are reported as non-operating receipts and disbursements.

D. Property Taxes and Governmental Cash Basis Fund Balances

The following accounting policies are followed in preparing the financial statements:

Property tax revenues recognized in these funds become due and collectible in September and March of the current fiscal year with a 1 ½% per month penalty for delinquent payments; is based on January 1, 2018 assessed property valuations; is for the tax accrual period of July 1, 2019 through June 30, 2020 and reflects tax asking contained in the budget certified to the City Council in March 2019.

In the governmental fund financial statements, cash basis fund balances are classified as follows:

Restricted - Amounts restricted to specific purposes when constraints placed on the use of the resources are either externally imposed by creditors, grantors, or state or federal laws or imposed by law through constitutional provisions or enabling legislation.

Unassigned - All amounts not included in other spendable classifications.

E. Budgets and Budgetary Accounting

The budgetary comparison and related disclosures are reported as Other Information. During the year ended June 30, 2020, disbursements exceeded the amounts budgeted in the public safety, public works, community and economic development, debt service and capital project functions.

(2) CASH AND POOLED INVESTMENTS

The City's deposits in banks at June 30, 2020 were entirely covered by federal depository insurance or by the State Sinking Fund in accordance with Chapter 12C of the Code of Iowa. This chapter provides for additional assessments against the depositories to insure there will be no loss of public funds.

CITY OF ALTOONA

Notes to Financial Statements - Continued

June 30, 2020

(2) CASH AND POOLED INVESTMENTS - CONTINUED

The City is authorized by statute to invest public funds in obligations of the United States government, its agencies and instrumentalities; certificates of deposit or other evidences of deposit at federally insured depository institutions approved by the City Council; prime eligible bankers acceptances; certain high rated commercial paper; perfected repurchase agreements; certain registered open-end management investment companies; certain joint investment trusts; and warrants or improvement certificates of a drainage district.

At June 30, 2020, the City had the following investments:

Type	Cost	Fair Value	Maturity
Repurchase Agreements	\$ 30,456,577	\$30,456,577	-
U.S. Treasury bill	999,258	\$ 999,258	Dec 5, 2020
U.S. Treasury bill	999,203	999,203	Dec 10, 2020
U.S. Treasury bill	998,420	998,420	Sep 10, 2020
U.S. Treasury bill	499,724	499,724	Nov 10, 2020
U.S. Treasury bill	2,498,256	2,498,256	Oct 15, 2020
U.S. Treasury bill	2,997,012	2,997,012	Oct 8, 2020
Total	<u>\$ 39,683,648</u>	<u>\$39,683,648</u>	

The par value of the Treasury bills is \$9,000,000.

U.S. government securities are rated AA+ by Standard & Poor.

The City uses the fair value hierarchy established by generally accepted accounting principles based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets, Level 2 inputs are significant other observable inputs, Level 3 inputs are significant unobservable inputs.

The recurring fair value of the U.S. Treasury Bills securities was determined using quoted market prices. (Level 1 inputs). The repurchase agreements value was determined using significant other observable inputs (Level 2 inputs).

At June 30, 2020, the City had \$30,456,577 in repurchase agreement accounts which are not covered by the State Sinking Fund. The funds are a permissible investment according to state statutes and are collateralized by obligations of the U.S. Government and its agencies.

In addition, the City had investments in the Iowa Public Agency Investment Trust which are valued at an amortized cost of \$1,099,203. There were no limitations or restrictions on withdrawals for the IPAIT investments. The City's investments in the Iowa Public Agency Investment trust in unrated.

Interest rate risk - The City's investment policy limits the investment of operating funds (funds expected to be expended in the current budget year or within 15 months of receipt) to instruments that mature within 397 days. Funds not identified as operating funds may be invested in investments with maturities longer than 397 days, but the maturities shall be consistent with the needs and use of the City.

CITY OF ALTOONA

Notes to Financial Statements - Continued

June 30, 2020

(3) BONDS AND NOTES PAYABLE

A summary of changes in bonds and notes payable for the year ended June 30, 2020 is as follows:

	<u>Beginning Balances</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balances</u>	<u>Due Within One Year</u>
Government activities:					
General obligation bonds	\$71,030,000	\$30,970,000	\$ 4,755,000	\$97,245,000	\$5,090,000
Governmental activities total	<u>\$71,030,000</u>	<u>\$30,970,000</u>	<u>\$ 4,755,000</u>	<u>\$97,245,000</u>	<u>\$5,090,000</u>

General Obligation Bonds

A summary of the City's June 30, 2020 general obligation payable is as follows:

Series 2011A Street/Fire Equipment Issued July 5, 2011			
Year Ending June 30,	Interest Rate	Principal	Interest
2021	2.60%	\$ 115,000	\$ 2,990
2022	-	-	-
2023	-	-	-
2024	-	-	-
2025	-	-	-
2026-2030	-	-	-
2031-2035	-	-	-
2036-2039	-	-	-
Total		<u>\$ 115,000</u>	<u>\$2,990</u>

Series 2012A Refunding Issued April 16, 2012			
Year Ending June 30,	Interest Rate	Principal	Interest
2021	1.60%	\$ 245,000	\$ 13,683
2022	1.75%	255,000	9,763
2023	2.00%	265,000	5,300
2024	-	-	-
2025	-	-	-
2026-2030	-	-	-
2031-2035	-	-	-
2036-2039	-	-	-
Total		<u>\$ 765,000</u>	<u>\$28,746</u>

CITY OF ALTOONA

Notes to Financial Statements - Continued

June 30, 2020

(3) BONDS AND NOTES PAYABLE - CONTINUED

Series 2013B - Advanced Refund Issued March 5, 2013			
Year Ending June 30,	Interest Rate	Principal	Interest
2021	2.00%	\$ 590,000	\$ 11,800
2022	-	-	-
2023	-	-	-
2024	-	-	-
2025	-	-	-
2026-2030	-	-	-
2031-2035	-	-	-
2036-2039	-	-	-
Total		<u>\$ 590,000</u>	<u>\$11,800</u>

Series 2014 - Refunding Issued August 28, 2014			
Year Ending June 30,	Interest Rate	Principal	Interest
2021	2.25%	\$ 650,000	\$ 34,938
2022	2.25%	675,000	20,313
2023	2.25%	205,000	5,125
2024	-	-	-
2025	-	-	-
2026-2030	-	-	-
2031-2035	-	-	-
2036-2039	-	-	-
Total		<u>\$ 1,530,000</u>	<u>\$60,376</u>

Series 2016A - Advanced Refunding Issued June 14, 2016			
Year Ending June 30,	Interest Rate	Principal	Interest
2021	3.00%	\$ 325,000	\$ 78,213
2022	2.25%	340,000	68,462
2023	2.00%	355,000	60,813
2024	2.00%	375,000	53,712
2025	2.00%	390,000	46,213
2026-2030	2.00 - 2.375%	1,755,000	101,075
2031-2035	-	-	-
2036-2039	-	-	-
Total		<u>\$3,540,000</u>	<u>\$408,488</u>

CITY OF ALTOONA

Notes to Financial Statements - Continued

June 30, 2020

(3) BONDS AND NOTES PAYABLE - CONTINUED

Year Ending June 30,	Series 2016B - Refunding Issued July 19, 2016		
	Interest Rate	Principal	Interest
2021	3.00%	\$ 110,000	\$ 61,113
2022	2.25%	335,000	57,813
2023	2.50%	345,000	50,275
2024	3.00%	355,000	41,650
2025	2.00%	365,000	31,000
2026-2030	2.00-2.10%	1,165,000	48,200
2031-2035	-	-	-
2036-2039	-	-	-
Total		<u>\$ 2,675,000</u>	<u>\$290,051</u>

Year Ending June 30,	Series 2016C - Refunding Issued July 19, 2016		
	Interest Rate	Principal	Interest
2021	4.00%	\$ 975,000	\$ 1,752,550
2022	5.00%	990,000	1,713,550
2023	5.00%	1,015,000	1,664,050
2024	5.00%	1,645,000	1,613,300
2025	5.00%	1,670,000	1,531,050
2026-2030	5.00%	12,150,000	6,081,500
2031-2035	3.50-5.00%	15,600,010	2,813,950
2036-2039	3.00%	3,600,000	108,000
Total		<u>\$37,645,000</u>	<u>\$17,277,950</u>

Year Ending June 30,	Series 2017 - Road Improvements Issued May 2, 2017		
	Interest Rate	Principal	Interest
2021	2.00%	\$ 490,000	\$ 167,700
2022	2.00%	500,000	157,900
2023	2.00%	510,000	147,900
2024	2.25%	520,000	137,700
2025	2.25%	535,000	126,000
2026-2030	2.50 - 2.75%	2,870,000	425,740
2031-2035	3.00%	1,260,000	57,000
2036-2039	-	-	-
Total		<u>\$6,685,000</u>	<u>\$1,219,940</u>

CITY OF ALTOONA

Notes to Financial Statements - Continued

June 30, 2020

(3) BONDS AND NOTES PAYABLE - CONTINUED

Year Ending June 30,	Series 2018 Road Improvements Issued May 28, 2018		
	Interest Rate	Principal	Interest
2021	4.00%	\$ 550,000	\$ 232,400
2022	4.00%	570,000	210,400
2023	4.00%	595,000	187,600
2024	4.00%	615,000	163,800
2025	4.00%	640,000	139,200
2026-2030	4.00-3.00%	3,565,000	334,100
2031-2035	-	-	-
2036-2039	-	-	-
Total		<u>\$ 6,535,000</u>	<u>\$1,267,500</u>

Year Ending June 30,	Series 2019 Road Construction Issued June 5, 2019		
	Interest Rate	Principal	Interest
2021	4.00%	\$ 435,000	\$ 219,150
2022	4.00%	450,000	201,750
2023	4.00%	460,000	183,750
2024	4.00%	475,000	165,350
2025	4.00%	490,000	146,350
2026-2030	4.00-3.00%	2,680,000	442,600
2031-2035	3.00%	1,205,000	54,600
2036-2039	-	-	-
Total		<u>\$ 6,195,000</u>	<u>\$1,413,550</u>

Year Ending June 30,	Series 2020A - City Hall/Police Issued January 2, 2020		
	Interest Rate	Principal	Interest
2021	4.00%	\$ 605,000	\$ 2,125,711
2022	4.00%	1,250,000	1,479,250
2023	4.00%	1,300,000	1,429,250
2024	4.00%	1,350,000	1,377,250
2025	5.00%	1,405,000	1,323,250
2026-2030	5.00%	8,560,000	5,449,250
2031-2035	5.00%	9,555,000	3,124,750
2036-2039	5.00%	6,945,000	886,000
Total		<u>\$30,970,000</u>	<u>\$17,194,711</u>

CITY OF ALTOONA

Notes to Financial Statements - Continued

June 30, 2020

(3) BONDS AND NOTES PAYABLE - CONTINUED

Year Ending June 30,	Total		
	Principal	Interest	Total
2021	\$ 5,090,000	\$ 4,700,248	\$ 9,790,248
2022	5,365,000	3,919,201	9,284,201
2023	5,050,000	3,734,063	8,784,063
2024	5,335,000	3,552,762	8,887,762
2025	5,495,000	3,343,063	8,838,063
2026-2030	32,745,000	12,882,465	45,627,465
2031-2035	27,620,000	6,050,300	33,670,300
2036-2039	10,545,000	994,000	11,539,000
Total	<u>\$97,245,000</u>	<u>\$39,176,102</u>	<u>\$136,421,102</u>

On July 5, 2011, the City issued \$1,035,000 of General Obligation Bonds with interest rates ranging from 0.60-2.60% per annum. The bonds were issued for street and fire equipment. During the year ended June 30, 2020, the City paid \$110,000 of principal and \$5,630 of interest on the bonds.

On April 16, 2012, the City issued \$2,425,000 of General Obligation Refunding Bonds with interest rates ranging from 0.35-2.00% per annum. The bonds were issued for the refunding of the 2012 bonds. During the year ended June 30, 2020, the City paid \$235,000 of principal and \$17,208 of interest on the bonds.

On March 5, 2013, the City issued, the City issued \$3,945,000 of General Obligation Refunding Bonds with an interest rate of 2.00% per annum. The bonds were issued for advance refunding of the Series 2006 Bonds. During the year ended June 30, 2020, the City paid \$580,000 of principal and \$23,400 of interest on the bonds.

On August 28, 2014, the City issued \$4,545,000 of General Obligation Refunding Bonds with interest rate ranging from 1.50-2.5% per annum. The bonds were issued for the refunding of the 2007 A&B Series Bonds. During the year ended June 30, 2020 the City paid \$630,000 of principal and \$47,538 of interest.

On June 14, 2016, the City issued \$4,080,000 of General Obligation Refunding Bonds with interest rates ranging from 2.00-3.00% per annum. The bonds were issued for advance refunding of the 2009 D bonds. During the year ended June 30, 2020, the City paid \$125,000 of principal and \$81,963 of interest.

On July 19, 2016, the City issued \$3,690,000 of General Obligation Refunding Bonds with interest rates ranging from 2.00-3.00% per annum. The bonds were issued for refunding 2007 A and B bonds. During the year ended June 30, 2020, the City paid \$110,000 of principal and \$68,413 of interest.

On July 19, 2016, the City issued \$42,405,000 of General Obligation Urban Renewal/Refunding Appropriation Bonds with interest rates ranging from 3.00-5.00% per annum. The bonds were issued for refunding the 2009 bonds for Bass Pro Shop Project. During the year ended June 30, 2020, the City paid \$955,000 of principal and \$1,790,750 of interest.

On May 2, 2017, the City issued \$8,080,000 of General Obligation Urban Renewal Bonds with interest rates ranging from 2.00-3.00% per annum. The bonds were issued for construction of road improvements and a bike trail. During the year ended June 30, 2020, the City paid \$480,000 of principal and \$177,300 of interest.

CITY OF ALTOONA

Notes to Financial Statements - Continued

June 30, 2020

(3) BONDS AND NOTES PAYABLE - CONTINUED

On May 23, 2018, the City issued \$7,565,000 of General Obligation Urban Renewal Bonds with interest rates ranging from 3.00-4.00% per annum. The bonds were issued for road improvements of Adventureland Drive and signals. During the year ended June 30, 2020, the City paid \$525,000 of principal and \$253,400 of interest.

On June 5, 2019, the City issued \$6,620,000 of General Obligation Urban Renewal Bonds with interest rates ranging from 3.00-4.00% per annum. The bonds were issued for road construction on 1st Avenue North and 8th Street. During the year ended June 30, 2020, the City paid \$425,000 of principal and \$233,527 of interest.

On January 2, 2020, the City issued \$30,970,000 of General Obligation Certificate of Appreciation bonds with interest rates ranging from 4.00-5.00% per annum. The bonds were issued for the acquiring and construction of public building and to lease and purchase and otherwise acquire real estate, facilities and equipment, and improvements for such purpose. During the year ended June 30, 2020, the City was not required to make a principal or interest payment.

In June, 2020 the City received \$78,450 of funds as a good faith advance deposit on \$7,845,000 of General Obligation Bonds to be issued subsequent to the year ended June 30, 2020.

Development Rebate Agreements

The City has entered into a number of Tax Increment Financing (TIF) rebate agreements requiring repayment to the developers from TIF receipts. The rebate service requirements, if appropriated by the City, are as follows:

Year ending June 30	
2021	\$ 3,372,431
2022	3,631,431
2023	1,889,842
2024	1,715,480
2025	1,714,000
2026	259,000
2027	259,000
	<u>\$12,841,184</u>

(4) TAX ABATEMENTS

Governmental Accounting Standards Board Statement No. 77 defines tax abatements as a reduction in tax revenues that results from an agreement between one or more governments and an individual or entity in which (a) one or more governments promise to forgo tax revenues to which they are otherwise entitled and (b) the individual or entity promises to take a specific action after the agreement has been entered into that contributes to economic development or otherwise benefits the governments or the citizens of those governments.

City Tax Abatements

The City provides tax abatements for urban renewal and economic development projects with tax increment financing as provided for in Chapters 15A and 403 of the Code of Iowa. For these types of projects, the City

CITY OF ALTOONA

Notes to Financial Statements - Continued

June 30, 2020

(4) TAX ABATEMENTS - CONTINUED

enters into agreements with developers which require the City, after developers meet the terms of the agreements, to rebate a portion of the property tax paid by the developers, to pay the developers an economic development grant or to pay the developers a predetermined dollar amount. No other commitments were made by the City as part of these agreements.

For the year ended June 30, 2020, \$882,800 of property tax was diverted from the City under the urban renewal and economic development agreements.

(5) JOINT VENTURE AND COMMITMENTS

The City is a participating community in the Des Moines Metropolitan Wastewater Reclamation Authority (WRA) joint venture. This joint venture provides primary and secondary treatment of sewer flows for the participating communities. The Amended and Restated Agreement for the Des Moines Metropolitan Wastewater Reclamation Authority (WRA) was effective on July 1, 2004 with the second amended and restated agreement becoming effective on June 11, 2014. These agreements amended and restated the previous Integrated Community Area (I.C.A.) Agreement to provide continued operation, improvements and expansion. The WRA Agreement establishes the WRA as a separate legal entity with its own Board, creates an independent governance structure, establishes an independent bonding authority for the WRA and provides a framework for additional communities to participate.

Annually, the WRA establishes an allocation to all participating communities based on operations, maintenance, debt service and reserve requirements. Allocations are based on wastewater reclamation facility flows and are adjusted prospectively for differences in budgeted flows and actual flows.

The City of Altoona retains an ongoing financial responsibility to the WRA since it is obligated in some manner for the debts of the joint venture through the annual allocation. Although the debt of the WRA is to be paid solely and only from WRA revenues, the participating communities in the joint venture cannot withdraw from the joint venture while any of the bonds issued during the time the communities were a participating community are still outstanding. The WRA Sewer Revenue Bonds Series 2013B and 2015E include provisions that place the WRA debt service requirements on the same parity and rank as other debts of the participating communities.

The WRA Sewer Revenue Bonds Series 2015E, and 2004B/2013 bonds were issued for capital expansion. The WRA Agreement requires the debt service on these bonds to be allocated to the participating communities based on the WRA flows of the core communities and expansion communities of each calendar year. As of June 30, 2020, the Series 2015E and 2013B bonds had a balance of \$71,775,000 and the City of Altoona's estimated future allocation based on the WRA flows is currently \$4,634,036, or 6.46%. The State Revolving Loans are to be paid by the participating communities based on the existing allocations under the prior I.C.A. agreement. As of June 30, 2020 the state revolving loans had a balance of \$344,378,376 and the City of Altoona's estimated future allocation based on the WRA flows is currently \$18,238,043 or 5.30%.

The WRA Agreement does not provide for the determination of an equity interest for the participating communities. Withdrawing from the joint venture is a forfeit of all reversionary interest and no compensation will be paid. Pursuant to the new agreement, the City's investment in the joint venture under the I.C.A. Agreement has been contributed to the new WRA organization. The City retains a reversionary interest percentage in the net assets of the WRA redeemable only in the event the WRA is dissolved. During the year ended June 30, 2020, the City paid the WRA \$2,560,366 for operations, maintenance, equipment replacements and debt service payments.

CITY OF ALTOONA

Notes to Financial Statements - Continued

June 30, 2020

(5) JOINT VENTURE AND COMMITMENTS - CONTINUED

The WRA issues separate financial statements that may be obtained at 3000 Vandalia Road, Des Moines, Iowa 50317-1346.

(6) PENSION PLAN

Plan Description - IPERS membership is mandatory for employees of the City of Altoona, except for those covered by another retirement system. Employees of the City of Altoona are provided with pensions through a cost-sharing multiple employer defined benefit pension plan administered by Iowa Public Employees' Retirement System (IPERS). IPERS issues a stand-alone financial report which is available to the public by mail at P.O. Box 9117, Des Moines, Iowa 50306-9117 or at www.ipers.org.

IPERS benefits are established under Iowa Code chapter 97B and the administrative rules thereunder. Chapter 97B and the administrative rules are the official plan documents. The following brief description is provided for general informational purposes only. Refer to the plan documents for more information.

Pension Benefits - A regular member may retire at normal retirement age and receive monthly benefits without an early-retirement reduction. Normal retirement age is age 65, anytime after reaching 62 with 20 or more years of covered employment, or when the member's years of service plus the member's age at the last birthday equals or exceeds 88, whichever comes first. These qualifications must be met on the member's first month of entitlement to benefits. Members cannot begin receiving retirement benefits before age 55. The formula used to calculate a Regular member's monthly IPERS benefit includes:

- A multiplier based on years of service.
- The member's highest five-year average salary, except members with service before June 30, 2012 will use the highest three-year average salary as of that date if it is greater than the highest five-year average salary.

Protection occupation members may retire at normal retirement age, which is generally age 55 and may retire any time after reaching age 50 with 22 or more years of covered employment.

The formula used to calculate a protection occupation member's monthly IPERS benefit includes:

- 60% of average salary after completion of 22 years of service, plus an additional 1.5% of average salary for more than 22 years of service but not more than 30 years of service.
- The member's highest three-year average salary.

If a member retires before normal retirement age, the member's monthly retirement benefit will be permanently reduced by an early-retirement reduction. The early-retirement reductions is calculated differently for service earned before and after July 1, 2012. For service earned before July 1, 2012, the reduction is 0.25 percent for each month that the member receives benefits before the member's earliest normal retirement age. For service earned on or after July 1, 2012, the reduction is 0.50 percent for each month that the member receives benefits before age 65.

Generally, once a member selects a benefit option, a monthly benefit is calculated and remains the same for the rest of the member's lifetime. However, to combat the effects of inflation, retirees who began receiving benefits prior to July 1990 receive a guaranteed dividend with their regular November benefit payments.

CITY OF ALTOONA

Notes to Financial Statements - Continued

June 30, 2020

(6) PENSION PLAN - CONTINUED

Disability and Death Benefits - A vested member who is awarded federal Social Security disability or Railroad Retirement disability benefits is eligible to claim IPERS benefits regardless of age. Disability benefits are not reduced for early retirement. If a member dies before retirement, the member's beneficiary will receive a lifetime annuity or a lump-sum payment equal to the present actuarial value of the member's accrued benefit or calculated with a set formula, whichever is greater. When a member dies after retirement, death benefits depend on the benefit option the member selected at retirement.

Contributions - Contribution rates are established by IPERS following the annual actuarial valuation, which applies IPERS' Contribution Rate Funding Policy and Actuarial Amortization Method. Statute limits the amount rates can increase or decrease each year to 1 percentage point. IPERS Contribution Rate Funding Policy requires that the actuarial contribution rate be determined using the "entry age normal" actuarial cost method and the actuarial assumptions and methods approved by the IPERS Investment Board. The actuarial contribution rate covers normal cost plus the unfunded actuarial liability payment based on a 30-year amortization period. The payment to amortize the unfunded actuarial liability is determined as a level percentage of payroll based on the Actuarial Amortization Method adopted by the Investment Board.

In fiscal year 2020, pursuant to the required rate, Regular members contributed 6.29% of pay and the City of Altoona contributed 9.44% for a total rate of 15.73%. Protection occupation members contributed 6.61% of covered payroll and the City of Altoona contributed 9.91% of covered payroll, for a total rate of 16.52%.

The City of Altoona's contributions to IPERS for the year ended June 30, 2020 totaled \$824,009.

Net Pension Liability, Pension Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions - At June 30, 2020, the City reported a liability of \$3,020,066 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2019, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The City's proportion of the net pension liability was based on the City's share of contributions to IPERS relative to the contributions of all IPERS participating employers. At June 30, 2019, the City's proportion was .0521541%, which was a decrease of 0.002895% from its proportion measured as of June 30, 2018.

For the year ended June 30, 2020 the City of Altoona's pension expense, deferred outflows and deferred inflows totaled \$1,022,669 \$932,079 and \$1,169,494 respectively.

There were no non-employer contributing entities to IPERS.

Actuarial Assumptions - The total pension liability in the June 30, 2019 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement.

Rate of Inflation	
(effective June 30, 2017)	2.60% per annum
Rates of salary increases	3.25 to 16.25%, average, including inflation.
(effective June 30, 2017)	Rates vary by membership group
Long-term investment rate of return	7.00%, compounded annually, net of investment
(effective June 30, 2017)	expense, including inflation.
Wage growth	3.25% per annum, based on 2.60% inflation
(effective June 30, 2017)	and 0.65% real wage inflation

CITY OF ALTOONA

Notes to Financial Statements - Continued

June 30, 2020

(6) PENSION PLAN - CONTINUED

The actuarial assumptions used in the June 30, 2019 valuation were based on the results of an economic assumption study dated March 24, 2017 and a demographic assumption study dated June 28, 2018.

Mortality rates used in the 2019 valuation were based on the RP-2014 Employee and Healthy Annuitant Tables with MP-2017 generational adjustments.

The long-term expected rate of return on IPERS' investments was determined using a building-block method in which best-estimate ranges of expected future real rates (expected returns, net of investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

Asset Class	Asset Allocation	Long-Term Expected Real Rate of Return
Domestic equity	22.0%	5.60%
International equity	15.0	6.08
Global smart beta equity	3.0	5.82
Core plus fixed income	27.0	1.71
Public credit	3.5	3.32
Public real assets	7.0	2.81
Cash	1.0	(0.21)
Private equity	11.0	10.13
Private real assets	7.5	4.76
Private credit	3.0	3.01
Total	<u>100.0%</u>	

Discount Rate - The discount rate used to measure the total pension liability was 7.00%. The projection of cash flows used to determine the discount rate assumed that employee contributions will be made at the contractually required rate and that contributions from the City of Altoona will be made at contractually required rates, actuarially determined. Based on those assumptions, the IPERS' fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the long-term expected rate of return on IPERS' investments was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity of the City of Altoona's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate - The following presents the City of Altoona's proportionate share of the net pension liability calculated using the discount rate of 7.00%, as well as what the City of Altoona's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1% lower (6.00%) or 1% higher (8.00%) than the current rate.

	1% Decrease (6.00%)	Discount Rate (7.00%)	1% Increase (8.00%)
City's proportionate share of the net pension liability	\$7,796,696	\$3,020,066	\$(983,488)

CITY OF ALTOONA

Notes to Financial Statements - Continued

June 30, 2020

(6) PENSION PLAN - CONTINUED

IPERS' Fiduciary Net Position - Detailed information about IPERS' fiduciary net position is available in the separately issued IPERS financial report which is available on IPERS' website at www.ipers.org.

(7) OTHER POSTEMPLOYMENT BENEFITS (OPEB)

Plan Description - The City operates a single-employer health benefit plan which provides medical/prescription drug benefits for employees, retirees and their spouses. Group insurance benefits are established under Iowa Code Chapter 506A.13. The City currently finances the benefit plan on a pay-as-you-go basis. For the year ended June 30, 2020, the City contributed \$379,108 and plan members eligible for benefits contributed \$189,529 to the plan. At June 30, 2020, no assets have been accumulated in a trust that meets the criteria in paragraph 4 of GASB Statement No. 75.

OPEB Benefits - Individuals who are employed by the City and are eligible to participate in the group health plan are eligible to continue healthcare benefits upon retirement. Retirees under age 65 pay the same premium for the medical/prescription drug benefits as active employees, which results in an implicit rate subsidy.

Retired participant must be age 55 or older at retirement, with the exception of special service participants who must be age 50 with 22 years of services. At June 30, 2020, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefit payments	4
Active employees	<u>102</u>
Total	<u>106</u>

The medical/prescription drug coverage is provided through a fully-insured plan with Wellmark. Retirees under age 65 pay the same premium for the medical/prescription drug benefit as active employees.

Funding Policy

The contribution requirements of Plan members are established and may be amended by the City. The City currently finances the retiree benefit plan on a pay-as-you-go basis. The most recent active member monthly premiums for the City and Plan members are \$803 - PPO and \$608 - HSA for single coverage. Family coverage is \$1,979 - PPO and \$1,221 - HSA. The same monthly premiums apply to retirees. For the year ended June 30, 2020 the City contributed \$1,217,314 and Plan members eligible for benefits contributed \$135,258 to the Plan.

(8) SEVERANCE AGREEMENT

Effective July 1, 2020, the City entered into a 3 year agreement with the City Administrator which formally identifies the financial obligation of the City to its City Administrator in the event of an involuntary employment termination. The agreement provides for a termination payment equal to six months of compensation plus paid health (single and family) insurance for the same period, as well as payment for all accrued but unused vacation and sick time at termination.

CITY OF ALTOONA

Notes to Financial Statements - Continued

June 30, 2020

(9) COMPENSATED ABSENCES

City employees accumulate a limited amount of earned but unused vacation and compensation hours for subsequent use or for payment upon termination, retirement, or death. These accumulations are not recognized as disbursements by the City until used or paid. The City's approximate liability for these earned vacation and sick leave termination payments payable to employees at June 30, 2020, primarily relating to the General Fund, is as follows:

Type of Benefit	Amount
Vacation	\$ 580,612
Sick leave	<u>1,270,883</u>
Total	<u>\$1,851,495</u>

This liability has been computed based on rates of pay as of June 30, 2020.

(10) INTERFUND TRANSFERS

The detail of interfund transfers for the year ended June 30, 2020 is as follows:

Transfer to	Transfer from	Amount
General Fund	Enterprise:	
	Water Fund	\$ 552,252
	Sewer Fund	552,252
	Storm Water	122,700
	Special Revenue:	
	Tax Increment Financing	418,177
Special Revenue		
Road Use Tax	General Fund	200,000
Capital Projects:	Special Revenue:	
	Urban Renewal Tax Increment	400,000
	Local Option Sales Tax	450,000
Debt Service Fund	Special Reserve:	
	Tax Increment Financing	7,093,889
Internal Service:		
Equipment Replacement	General Fund	950,000
	Enterprise:	
	Sewer	<u>45,000</u>
Total		<u>\$10,784,270</u>

Transfers generally move resources from the fund statutorily required to collect the resources to the fund statutorily required to disburse the resources.

CITY OF ALTOONA

Notes to Financial Statements - Continued

June 30, 2020

(11) RISK MANAGEMENT

The City is a member in the Iowa Communities Assurance Pool, as allowed by Chapter 670.7 of the Code of Iowa. The Iowa Communities Assurance Pool (Pool) is a local government risk-sharing pool whose 779 members include various governmental entities throughout the State of Iowa. The Pool was formed in August 1986 for the purpose of managing and funding third-party liability claims against its members. The Pool provides coverage and protection in the following categories: general liability, automobile liability, automobile physical damage, public officials liability, police professional liability, property, inland marine, and boiler/machinery. There have been no reductions in insurance coverage from prior years.

Each member's annual casualty contributions to the Pool fund current operations and provide capital. Annual casualty operating contributions are those amounts necessary to fund, on a cash basis, the Pool's general and administrative expenses, claims, claims expenses and reinsurance expenses estimated for the fiscal year, plus all or any portion of any deficiency in capital. Capital contributions are made during the first six years of membership and are maintained to equal 300% of basis rate.

The Pool also provides property coverage. Members who elect such coverage make annual operating contributions which are necessary to fund, on a cash basis, the Pool's general and administrative expenses, reinsurance premiums, losses and loss expenses for property risks estimated for the fiscal year, plus all or any portion of any deficiency in capital. Any year-end operating surplus is transferred to capital. Deficiencies in operations are offset by transfers from capital and, if insufficient, by the subsequent year's member contributions.

The City's property and casualty contributions to the risk pool are recorded as disbursements from its operating funds at the time of payment to the risk pool. The City's contributions to the Pool for the year ended June 30, 2020 were \$193,074.

The Pool uses reinsurance and excess risk-sharing agreements to reduce its exposure to large losses. The Pool retains general, automobile, police professional, and public officials' liability risks up to \$500,000 per claim. Claims exceeding \$500,000 are reinsured through reinsurance and excess risk-sharing agreements up to the amount of risk-sharing protection provided by the City's risk-sharing certificate. Property and automobile physical damage risks are retained by the Pool up to \$250,000 each occurrence, each location. Property risks exceeding \$250,000 are reinsured through reinsurance and excess risk-sharing agreements up to the amount of risk-sharing protection provided by the City's risk-sharing certificate.

The Pool's intergovernmental contract with its members provides that in the event a casualty claim, property loss, or series of claims or losses exceeds the amount of risk-sharing protection provided by the City's risk-sharing certificate, or in the event a casualty claim, property loss or series of claims or losses exhausts the Pool's funds and any reinsurance and any excess risk-sharing recoveries, then payment of such claims or losses shall be the obligation of the respective individual member against whom the claim was made or the loss was incurred. As of June 30, 2020, settled claims have not exceeded the risk pool or reinsurance coverage since the pool's inception.

Members agree to continue membership in the Pool for a period of not less than one full year. After such period, a member who has given 60 days' prior written notice may withdraw from the Pool. Upon withdrawal, payments for all casualty claims and claims expenses become the sole responsibility of the withdrawing

CITY OF ALTOONA

Notes to Financial Statements - Continued

June 30, 2020

(11) RISK MANAGEMENT - CONTINUED

member, regardless of whether a claim was incurred or reported prior to the member's withdrawal. Upon withdrawal, a formula set forth in the Pool's intergovernmental contract with its members is applied to determine the amount (if any) to be refunded to the withdrawing member.

The City also carries commercial insurance purchased from other insurers for coverage associated with workers' compensation in the amount of \$1,000,000. The City assumes liability for any deductibles, and claims in excess of coverage limitations. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

(12) DEFERRED COMPENSATION PLAN

The City offers its employees a deferred compensation plan as allowed by Internal Revenue Code Section 457. The plan allows City employees to defer a portion of their current salary until future years. These funds are held in trust for participating employees by a third party investor.

(13) CONSTRUCTION CONTRACTS

At June 30, 2020, the City had entered into construction contracts of approximately \$9,830,900 for various projects. At June 30, 2020 these projects will require future payments of approximately \$2,780,000 upon completion.

(14) LITIGATION

The City is subject to pending litigation seeking compensatory damages of approximately \$50,000. The probability of loss, if any, is undeterminable.

(15) RESTATED OPENING BALANCES

Due to reclassifications discovered, it was necessary to restate some opening balances. Accordingly, the Debt Service Reserve Fund beginning cash balance was decreased by \$118,102 and the Capital Projects Funds increased by \$118,102. This did not effect the overall change in cash balances for the fiscal year 2019.

(16) SUBSEQUENT EVENTS

The City has evaluated all subsequent events through October 6, 2020, the date the financial statements were available to be issued. In July and August, 2020, the City issued \$11,545,000 of General Obligation Bonds.

(17) PROSPECTIVE ACCOUNTING CHANGE

Governmental Accounting Standards Board has issued Statement No. 84, Fiduciary Activities. This statement will be implemented for the fiscal year ending June 30, 2021. The revised requirements of this statement will enhance the consistency and comparability of fiduciary activity reporting by state and local governments by establishing specific criteria for identifying fiduciary activities and clarifying whether and how business-type activities should report their fiduciary activities.

CITY OF ALTOONA

Notes to Financial Statements - Continued

June 30, 2020

(18) CONTINGENCY

The COVID-19 outbreak is disrupting business across a range of industries in the United States. As a result, local, regional and national economies, including that of the City, may be adversely impacted. The extent of the financial impact of COVID-19 will depend on future development, including the duration and spread, which are uncertain and cannot be predicted. Due to the uncertainties surrounding the outbreak, management cannot presently estimate the potential impact to the City operations and finances.

Other Information

CITY OF ALTOONA

Budgetary Comparison Schedule of Receipts, Disbursements, and Changes in Balances - Budget and Actual (Cash Basis) - All Governmental Funds and Proprietary Funds Other Information Year ended June 30, 2020

	Governmental Funds Actual	Proprietary Funds Actual	Less Funds not Required to Be Budgeted	Total
Receipts:				
Property tax	\$ 8,856,008	\$ -	\$ -	\$ 8,856,008
Tax increment financing collections	10,672,434	-	-	10,672,434
Other City tax	3,438,275	-	-	3,438,275
Licenses and permits	4,782,065	-	-	4,782,065
Uses of money and property	619,603	14,870	-	634,473
Intergovernmental	3,366,720	-	-	3,366,720
Charges for service	631,555	13,266,783	-	13,898,338
Special assessments	10,500	-	-	10,500
Miscellaneous	1,816,647	49,614	-	1,866,261
Total receipts	34,193,807	13,331,267	-	47,525,074
Disbursements:				
Public safety	7,941,503	418,881	418,881	7,941,503
Public works	2,126,716	52,000	52,000	2,126,716
Health and social services	25,000	-	-	25,000
Culture and recreation	2,556,549	124,835	124,835	2,556,549
Community and economic development	7,815,898	-	-	7,815,898
General government	2,004,738	-	-	2,004,738
Debt service	7,461,726	-	-	7,461,726
Capital projects	44,511,846	-	-	44,511,846
Business type activities	-	8,873,623	32,506	8,841,117
Total disbursements	74,443,976	9,469,339	628,222	83,285,093
Excess (deficiency) of receipts over (under) disbursements	(40,250,169)	3,861,928	(628,222)	(35,760,019)
Other financing sources (uses), net	37,280,402	(277,204)	995,000	36,008,198
Excess (deficiency) of receipts and other financing sources over (under) disbursements and other financing sources (uses)	(2,969,767)	3,584,724	366,778	248,179
Balances beginning of year	26,813,980	16,874,177	248,390	43,439,767
Balances end of year	\$ 23,844,213	\$20,458,901	\$ 615,168	\$ 43,687,946

See accompanying independent auditor's report.

Budgeted Amounts		Final to Actual Variance- Positive (Negative)
Original	Final	
\$ 8,705,251	\$ 8,705,251	\$ 150,757
11,850,955	11,850,955	(1,178,521)
4,182,940	4,182,940	(744,665)
620,000	620,000	4,162,065
451,550	451,550	182,923
2,857,078	2,857,078	509,642
11,721,807	11,721,807	2,176,531
20,000	20,000	(9,500)
1,096,500	1,096,500	769,761
41,506,081	41,506,081	6,018,993
7,753,643	7,753,643	(187,860)
2,115,895	2,115,895	(10,821)
25,000	25,000	-
3,387,631	3,387,631	831,082
7,539,755	7,539,755	(276,143)
2,013,444	2,013,444	8,706
7,422,938	7,422,938	(38,788)
7,802,992	7,802,992	(36,708,854)
14,696,219	14,696,219	5,855,102
52,757,517	52,757,517	(30,527,576)
(11,251,436)	(11,251,436)	(24,508,583)
7,000,200	7,000,200	29,007,998
(4,251,236)	(4,251,236)	4,499,415
37,435,887	37,435,887	6,003,880
\$ 33,184,651	\$ 33,184,651	\$ 10,503,295

CITY OF ALTOONA

Required Supplemental Information

Notes To Required Supplementary Information - Budgetary Reporting

June 30, 2020

The budgetary comparison is presented in accordance with Governmental Accounting Standards Board Statement No. 41 for governments with significant budgetary perspective differences resulting from not being able to present budgetary comparisons for the General Fund and each major Special Revenue Fund.

In accordance with the Code of Iowa, the City Council annually adopts a budget on the cash basis following required public notice and hearing for all funds except the Internal Service Fund. The annual budget may be amended during the year utilizing similar statutorily prescribed procedures.

Formal and legal budgetary control is based upon nine major classes of disbursements known as functions, not by fund or fund type. These nine functions are: public safety, public works, health and social services, culture and recreation, community and economic development, general government, debt service, capital projects and business type activities. Function disbursements required to be budgeted include disbursements for the General Fund, Special Revenue Funds, Debt Service Fund, Capital Project Funds and Enterprise Funds. Although the budget document presents function disbursements by fund, the legal level of control is at the aggregated function level, not by fund.

During the year ended June 30, 2020, disbursements exceeded the amounts budgeted in the Public Safety, Public Works, Community and Economic Development, Debt Service and Capital Project functions.

CITY OF ALTOONA

Schedule of the City's Proportionate Share of the Net Pension Liability

Iowa Public Employees' Retirement System For the Last Six Fiscal Years (In Thousands)

Other Information

	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
City's proportion of the net pension liabilities	.0521541%	.0550490%	.052380%	.0501441%	.0411235%	.0331089%
City's proportionate share of the net pension liability	\$3,020	\$3,484	\$3,607	\$3,156	\$2,027	\$1,313
City covered payroll	\$7,949	\$6,810	\$6,775	\$5,936	\$5,793	\$5,834
City proportionate share of the net pension liability as a percentage of its covered payroll	37.99%	51.16%	53.24%	53.17%	34.99%	22.51%
IPERS' net position as a percentage of the total pension liability	85.45%	83.62%	82.21%	81.82%	85.19%	87.61%

* In accordance with GASB Statement No. 68 the amounts presented for each fiscal year were determined as of June 30 of the preceding fiscal year.

See accompanying independent auditor's report.

CITY OF ALTOONA

Schedule of City of Altoona's Contributions

Iowa Public Employees' Retirement System For the Last 10 Years (In Thousands)

Other Information

	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>
Statutorily required contribution	\$ 824	778	678	631
Contributions in relation to the statutorily required contribution	<u>(824)</u>	<u>(778)</u>	<u>(678)</u>	<u>(631)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>-</u>	<u>-</u>	<u>-</u>
City of Altoona's covered payroll	\$ 8,532	7,949	6,810	6,775
Contributions as a percentage of covered payroll	9.66%	9.79%	9.31%	9.31%

See accompanying independent auditor's report.

2016	2015	2014	2013	2012	2011
553	540	521	488	444	402
(553)	(540)	(521)	(488)	(444)	(402)
-	-	-	-	-	-
5,936	5,793	5,834	5,629	5,502	5,784
9.32%	9.32%	8.93%	8.67%	8.07%	6.95%

CITY OF ALTOONA

Notes to Other Information - Pension Liability

Year ended June 30, 2020

Changes of benefit terms:

There are no significant changes in benefit terms.

Changes of assumptions:

The 2018 valuation implemented the following refinements as a result of a demographic assumption study dated June 28, 2018:

- Changed mortality assumptions to the RP-2014 mortality tables with mortality improvements modeled using Scale MP-2017.
- Adjusted retirement rates.
- Lowered disability rates.
- Adjusted the probability of a vested Regular member electing to receive a deferred benefit.
- Adjusted the merit component of the salary increase assumption.

The 2017 valuation implemented the following refinements as a result of an experience study dated March 24, 2017:

- Decreased the inflation assumption from 3.00% to 2.60%.
- Decreased the assumed rate of interest on member accounts from 3.75% to 3.50% per year.
- Decreased the discount rate from 7.50% to 7.00%.
- Decreased the wage growth assumption from 4.00% to 3.25%.
- Decreased the payroll growth assumption from 4.00% to 3.25%.

The 2014 valuation implemented the following refinements as a result of a quadrennial experience study:

- Decreased the inflation assumption from 3.25% to 3.00%.
- Decreased the assumed rate of interest on member accounts from 4.00% to 3.75% per year.
- Adjusted male mortality rates for retirees in the Regular membership group.
- Moved from an open 30-year amortization period to a closed 30-year amortization period for the UAL (unfunded actuarial liability) beginning June 30, 2014. Each year thereafter, changes in the UAL from plan experience will be amortized on a separate closed 20-year period.

City of Altoona

Supplementary Information

CITY OF ALTOONA

Schedule of Cash Receipts, Disbursements
and Changes in Cash Balances
Nonmajor Governmental Funds

As of and for the year ended June 30, 2020

	Special Revenue			
	Local Option Sales Tax	Employee Benefits	Drug Enforcement Agency	Total
Receipts:				
Property tax	\$ -	\$1,273,734	\$ -	\$1,273,734
Other City tax	2,023,671	-	-	2,023,671
Intergovernmental	-	-	37,201	37,201
Miscellaneous	-	-	50	50
Total receipts	2,023,671	1,273,734	37,251	3,334,656
Disbursements:				
Operating:				
Public safety	-	949,580	3,836	953,416
Culture and recreation	-	170,650	-	170,650
Community and economic development	-	42,369	-	42,369
General government	-	111,135	-	111,135
Total disbursements	-	1,273,734	3,836	1,277,570
Excess (deficiency) of receipts over (under) disbursements	2,023,671	-	33,415	2,057,086
Other financing (uses):				
Transfers out	(450,000)	-	-	(450,000)
Change in cash balances	1,573,671	-	33,415	1,607,086
Cash balances beginning of year	-	-	14,214	14,214
Cash balances end of year	<u>\$1,573,671</u>	<u>\$ -</u>	<u>\$ 47,629</u>	<u>\$1,621,500</u>
Cash Basis Fund Balances				
Restricted for:				
Other purposes	<u>\$1,573,871</u>	<u>\$ -</u>	<u>\$ 47,629</u>	<u>\$1,621,500</u>
Total cash basis fund balances	<u>\$1,573,871</u>	<u>\$ -</u>	<u>\$ 47,629</u>	<u>\$1,621,500</u>

See accompanying independent auditor's reports.

CITY OF ALTOONA

Schedule of Cash Receipts, Disbursements and Changes in Cash Balances Capital Projects

As of and for the year ended June 30, 2020

	Capital Projects			
	Water	Streets	Rec Complex	Other
Receipts:				
Use of money and property				
Interest on investments	\$ 80	\$ -	\$ -	\$ -
Miscellaneous	-	233,275	-	-
Total receipts	80	233,275	-	-
Disbursements:				
Capital projects	-	6,565,216	-	334,054
Total disbursements	-	6,565,216	-	334,054
Excess (deficiency) of receipts over (under) disbursements	80	(6,331,941)	-	(334,054)
Other financing (uses):				
Bond proceeds	-	78,450	-	-
Bond premium	-	-	-	-
Transfers in	-	-	-	400,000
Transfers (out)	-	-	(211,267)	-
Total other financing (uses)	-	78,450	(211,267)	400,000
Change in cash balances	80	(6,253,491)	(211,267)	65,946
Cash balances beginning of year, as restated	6,166	10,282,372	211,267	150,146
Cash balances end of year, restricted	\$6,246	\$ 4,028,881	\$ -	\$ 216,092

See accompanying independent auditor's reports.

Parks	City Hall	Intrafund Eliminations	Total
\$ -	\$ 413	\$ -	\$ 493
-	-	-	233,275
-	413	-	233,768
795,544	36,817,032	-	44,511,846
795,544	36,817,032	-	44,511,846
(795,544)	(36,816,619)	-	(44,278,078)
-	30,970,000	-	31,048,450
-	5,954,748	-	5,954,748
661,267	-	(211,267)	850,000
-	-	211,267	-
661,267	36,924,748	-	37,853,198
(134,277)	108,129	-	(6,424,880)
1,198,826	118,022	-	11,966,799
\$1,064,549	\$ 226,151	\$ -	\$ 5,541,919

CITY OF ALTOONA

Schedule of Indebtedness

Year ended June 30, 2020

Obligation	Date of Issue	Interest Rates	Amount Originally Issued
General obligation bonds:			
Corporate purpose, Series 2011A	Jul 5, 2011	2.60	\$ 1,035,000
Refunding bonds, Series 2012A	Apr 16, 2012	1.60 - 2.00	2,425,000
Refunding bonds, Series 2013A	Jan 22, 2013	2.00	4,585,000
Refunding bonds, Series 2013B	Mar 5, 2013	2.00	3,945,000
Refunding bonds, Series 2014	Aug 28, 2014	2.25 - 2.50	4,545,000
Refunding bonds, Series 2016A	Jun 14, 2016	2.00 - 3.00	4,080,000
Refunding bonds, Series 2016B	Jul 19, 2016	2.00 - 3.00	3,690,000
Urban renewal/refunding annual appropriation, Series 2016C	Jul 19, 2016	3.00 - 5.00	42,405,000
Urban renewal/corporate purpose, Series 2017	May 2, 2017	2.00 - 3.00	8,080,000
Urban renewal/corporate purpose, Series 2018	May 23, 2018	3.00 - 4.00	7,565,000
Urban renewal/corporate purpose, Series 2019	Jun 5, 2019	3.00 - 4.00	6,620,000
Certificates of Participation, Series 2020A	Jan 2, 2020	4.00 - 5.00	30,970,000
Urban Renewal Corp. Purpose, Series 2020B, Good Faith Deposit	Jul 8, 2020	2.00 - 5.00	7,845,000

Total

See accompanying independent auditor's report.

Balance Beginning of Year	Issued During Year	Redeemed During Year	Balance End of Year	Interest Paid
\$ 225,000	\$ -	\$ 110,000	\$ 115,000	\$ 5,630
1,000,000	-	235,000	765,000	17,208
580,000	-	580,000	-	11,600
1,170,000	-	580,000	590,000	23,400
2,160,000	-	630,000	1,530,000	47,538
3,665,000	-	125,000	3,540,000	81,963
2,785,000	-	110,000	2,675,000	68,413
38,600,000	-	955,000	37,645,000	1,790,750
7,165,000	-	480,000	6,685,000	177,300
7,060,000	-	525,000	6,535,000	253,400
6,620,000	-	425,000	6,195,000	233,527
-	30,970,000	-	30,970,000	-
71,030,000	30,970,000	4,755,000	97,245,000	2,706,729
-	78,450	-	78,450	-
\$71,030,000	\$31,048,450	\$4,755,000	\$97,323,450	\$2,706,729

CITY OF ALTOONA

Bond Maturities

June 30, 2020

Year Ending June 30,	General			
	Corporate Purpose		Refunding	
	Series 2011A		Bonds	
	Series 2011A		Series 2012A	
	Issued July 5, 2011		Issued April 16, 2012	
	Interest		Interest	
	Rates	Amount	Rates	Amount
2021	2.60	\$ 115,000	1.60	\$ 245,000
2022		-	1.75	255,000
2023		-	2.00	265,000
2024		-		-
2025		-		-
2026		-		-
2027		-		-
2028		-		-
2029		-		-
2030		-		-
2031		-		-
2032		-		-
2033		-		-
2034		-		-
2035		-		-
2036		-		-
2037		-		-
2038		-		-
2039		-		-
Total		<u>\$ 115,000</u>		<u>\$ 765,000</u>

See accompanying independent auditor's report.

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CITY OF ALTOONA

Bond Maturities - Continued

June 30, 2020

Year Ending June 30,	Urban Renewal Refunding Bonds Series 2016B		Annual Renewal Refunding Bonds Series 2016C		General Urban Renewal Corporate Purpose Bonds Series 2017	
	Issued July 19, 2016		Issued July 19, 2016		Issued May 2, 2017	
	Interest		Interest		Interest	
	Rates		Rates		Rates	
	Amount		Amount		Amount	
2021	3.00%	\$ 110,000	4.00%	\$ 975,000	2.00%	\$ 490,000
2022	2.25	335,000	5.00	990,000	2.00	500,000
2023	2.50	345,000	5.00	1,015,000	2.00	510,000
2024	3.00	355,000	5.00	1,645,000	2.25	520,000
2025	2.00	365,000	5.00	1,670,000	2.25	535,000
2026	2.00	380,000	5.00	2,200,000	2.50	545,000
2027	2.00	385,000	5.00	2,310,000	2.50	560,000
2028	2.10	400,000	5.00	2,425,000	2.75	570,000
2029		-	5.00	2,545,000	2.75	590,000
2030		-	5.00	2,670,000	2.75	605,000
2031		-	3.50-5.00	2,805,000	3.00	620,000
2032		-	5.00	2,930,000	3.00	640,000
2033		-	5.00	3,140,000		-
2034		-	4.00	3,295,000		-
2035		-	5.00	3,430,000		-
2036		-	3.00	3,600,000		-
2037		-		-		-
2038		-		-		-
2039		-		-		-
Total		<u>\$ 2,675,000</u>		<u>\$ 37,645,000</u>		<u>\$ 6,685,000</u>

See accompanying independent auditor's report.

Obligation Bonds

Corporate Purpose Bonds Series 2018		Corporate Purpose Bonds Series 2019		Certificates of Participation Series 2020A		
Issued May 23, 2018		Issued June 5, 2019		Issued January 2, 2020		
Interest		Interest		Interest		Total
Rates	Amount	Rates	Amount	Rates	Amount	
4.00%	\$ 550,000	4.00%	\$ 435,000	4.00%	\$ 605,000	\$5,090,000
4.00	570,000	4.00	450,000	4.00	1,250,000	5,373,000
4.00	595,000	4.00	460,000	4.00	1,300,000	5,050,000
4.00	615,000	4.00	475,000	4.00	1,350,000	5,335,000
4.00	640,000	4.00	490,000	5.00	1,405,000	5,495,000
4.00	665,000	4.00	500,000	5.00	1,555,000	6,255,000
3.00	695,000	4.00	520,000	5.00	1,630,000	6,525,000
3.00	715,000	3.00	535,000	5.00	1,705,000	6,800,000
3.00	735,000	3.00	555,000	5.00	1,795,000	6,690,000
3.00	755,000	3.00	570,000	5.00	1,875,000	6,475,000
-	-	3.00	590,000	5.00	1,965,000	5,980,000
-	-	3.00	615,000	5.00	2,000,000	6,185,000
-	-	-	-	5.00	2,100,000	5,240,000
-	-	-	-	5.00	1,945,000	5,240,000
-	-	-	-	5.00	1,545,000	4,975,000
-	-	-	-	5.00	1,625,000	5,225,000
-	-	-	-	5.00	1,715,000	1,715,000
-	-	-	-	5.00	1,755,000	1,755,000
-	-	-	-	5.00	1,850,000	1,850,000
	<u>\$ 6,535,000</u>		<u>\$ 6,195,000</u>		<u>\$30,970,000</u>	<u>\$97,245,000</u>

CITY OF ALTOONA

Schedule of Receipts/Proceeds by Source and Disbursements by Function -
All Governmental and Proprietary Funds

For the Last Ten Years

	Years ended June 30,				
	2020	2019	2018	2017	2016
Receipts:					
Property tax	\$ 8,856,008	\$ 8,111,604	\$ 6,407,000	\$ 6,060,512	\$ 5,644,024
Other city tax:					
Local option sales tax	2,023,871	-	-	-	-
Hotel/motel	1,414,404	1,491,698	1,332,544	1,088,648	1,057,370
Total property and other city tax	12,294,283	9,603,302	7,739,544	7,149,160	6,701,394
Lottery	784,433	1,027,883	1,001,411	944,403	926,444
Tax increment financing collections	10,672,434	9,397,214	11,638,462	11,590,469	10,239,482
Licenses and permits	4,782,065	4,147,873	3,384,922	1,415,306	526,721
Use of money and property	634,473	870,693	850,674	507,086	39,862
Intergovernmental:					
Road use tax	1,878,896	1,883,011	1,858,710	1,805,672	1,796,172
Library	100,740	112,637	81,836	92,880	64,280
State allocation	30,695	10,609	39,974	41,714	36,506
Grants	461,179	517,218	291,295	171,190	926,444
Drug enforcement	37,201	12,092	11,589	7,670	15,399
Miscellaneous	858,009	588,604	1,278,930	580,185	743,484
Total intergovernmental	3,366,720	3,124,171	3,562,334	2,699,311	3,582,285
Charges for service	13,898,337	12,606,341	12,276,482	12,631,162	10,411,096
Special assessments	10,500	11,000	11,500	45,268	86,795
Bond proceeds	37,003,198	7,108,799	7,908,359	60,992,408	4,206,622
Miscellaneous	1,081,829	879,986	362,000	1,377,353	407,763
Total	\$84,528,272	\$48,777,262	\$48,735,688	\$99,351,926	\$37,128,464
Disbursements:					
Operating:					
Public safety	\$ 8,360,384	\$ 9,233,012	\$ 6,812,788	\$6,356,193	\$ 5,421,333
Public works	2,178,716	2,062,134	2,106,721	2,058,311	1,656,485
Health and social services	25,000	27,114	19,875	17,866	13,682
Culture and recreation	2,681,384	2,257,749	2,156,170	2,471,198	1,851,073
Community and economic development	7,815,898	5,563,933	4,244,863	2,512,244	2,582,193
General government	2,004,738	1,390,117	1,301,085	1,177,445	1,171,454
Debt service	7,461,726	7,375,753	64,296,907	20,180,407	8,344,266
Capital projects	44,511,845	8,353,001	5,099,455	1,294,505	1,484,755
Business type activities	8,873,624	9,996,916	10,515,927	11,271,137	6,721,347
Total	\$83,913,315	\$46,229,729	\$96,633,791	\$47,339,306	\$29,246,588

See accompanying independent auditor's report.

2015	2014	2013	2012	2011
\$ 5,471,819	\$ 4,970,572	\$ 5,248,224	\$ 5,021,741	\$4,355,302
-	-	-	-	-
1,012,619	943,595	830,445	585,395	542,119
6,484,438	5,914,167	6,078,669	5,607,136	4,897,421
929,094	912,885	923,502	914,254	913,797
10,374,177	10,340,559	8,875,295	9,851,865	9,444,161
527,108	586,912	635,189	614,849	539,268
34,745	60,148	71,982	61,118	97,370
1,512,009	1,451,973	1,392,532	1,377,054	1,314,053
78,504	58,248	59,588	77,791	82,788
37,121	30,631	30,619	20,2020	33,962
929,094	1,021,875	1,018,998	1,521,166	593,735
17,100	15,968	28,804	13,286	30,015
115,939	101,737	261,457	52,636	61,783
2,689,767	2,680,432	2,791,998	3,062,135	2,116,336
10,232,379	10,228,804	9,385,624	9,250,022	8,486,032
37,279	185,594	-	-	-
4,655,442	-	8,983,387	4,934,650	3,567,357
367,186	378,788	164,905	365,111	549,48
\$36,331,615	\$31,288,289	\$37,879,551	\$34,661,140	\$30,611,150
\$ 5,469,561	\$ 4,830,592	\$ 5,578,639	\$ 4,817,835	\$ 4,699,350
1,519,854	1,612,558	1,626,628	1,353,006	1,467,668
1,597	1,214	22,848	23,232	18,299
1,717,632	2,030,756	1,479,311	1,499,883	1,801,913
3,634,958	4,429,525	3,510,266	2,618,273	2,603,576
1,077,452	1,120,407	1,021,974	840,368	873,812
13,037,012	12,403,506	11,020,620	8,399,930	14,246,153
625,554	582,340	1,229,016	3,387,919	13,491,454
6,385,687	9,772,155	7,862,321	5,475,995	7,855,65
\$33,469,307	\$36,783,053	\$33,351,623	\$28,416,441	\$47,057,870

City of Altoona



MARTENS & COMPANY, CPA, LLP

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Independent Auditor's Report on Internal Control
over Financial Reporting and on Compliance and Other Matters
Based on an Audit of Financial Statements Performed in Accordance with
Government Auditing Standards

To the Honorable Mayor and
Members of the City Council:

We have audited in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in the Government Auditing Standards issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of the City of Altoona, Iowa as of and for the year ended June 30, 2020, and the related notes to the financial statements, which collectively comprise the City's basic financial statements, and have issued our report thereon dated October 6, 2020. Our report expressed unmodified opinions on the financial statements which were prepared on the basis of cash receipts and disbursements, a basis of accounting other than U.S. generally accepted accounting principles.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the City of Altoona's internal control over financial reporting to determine the audit procedures appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City of Altoona's internal control. Accordingly, we do not express an opinion on the effectiveness of the City of Altoona's internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility a material misstatement of the City of Altoona's financial statements will not be prevented or detected and corrected on a timely basis. A significant deficiency is a deficiency, or a combination of deficiencies, in internal control which is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and, therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described in the accompanying Schedule of Findings, we identified deficiencies in internal control we consider to be material weaknesses. We consider the deficiency in internal control described in Part II of the accompanying Schedule of Findings as item II-A-20, to be a material weakness.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City of Altoona's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, non-compliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of non-compliance that are required to be reported under *Government Auditing Standards*. However, we noted certain immaterial instances of non-compliance or other matters which are described in Part III of the accompanying Schedule of Findings.

Comments involving statutory and other legal matters about the City's operations for the year ended June 30, 2020 are based exclusively on knowledge obtained from procedures performed during our audit of the financial statements of the City. Since our audit was based on tests and samples, not all transactions that might have had an impact on the comments were necessarily audited. The comments involving statutory and other legal matters are not intended to constitute legal interpretations of those statutes.

City of Altoona's responses to the Findings

The City of Altoona's responses to the findings identified in our audit are described in the accompanying Schedule of Findings. The City of Altoona's responses were not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on them.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing and not to provide an opinion on the effectiveness of the City's internal control or on compliance. This report is an integral part of an audit performed in accordance with Government Auditing Standards in considering the City's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

We would like to acknowledge the many courtesies and assistance extended to us by personnel of the City of Altoona during the course of our audit. Should you have any questions concerning any of the above matters, we shall be pleased to discuss them with you at your convenience.

Martens + Company, CPA, LLP

West Des Moines, Iowa
October 6, 2020

CITY OF ALTOONA

Schedule of Findings

Year ended June 30, 2020

Part I: Summary of the Independent Auditor's Results:

- (a) Unmodified opinions were issued on the financial statements which were prepared on the basis of cash receipts and disbursements, which is a comprehensive basis of accounting other than U.S. generally accepted accounting principles.
- (b) A material weakness in internal control over financial reporting was disclosed by the audit of the financial statements.
- (c) The audit did not disclose any non-compliance which is material to the financial statements.

CITY OF ALTOONA

Schedule of Findings - Continued

Year ended June 30, 2020

Part II: Findings Related to the Financial Statements:

SIGNIFICANT DEFICIENCIES:

II-A-20 Segregation of Duties

Criteria - Management is responsible for establishing and maintaining internal control. A good system of internal control provides for adequate segregation of duties so no one individual handles a transaction from its inception to completion. In order to maintain proper internal control, duties should be segregated so the authorization, custody and recording of transactions are not under the control of the same employee. This segregation of duties helps prevent losses from employee error or dishonesty and maximizes the accuracy of the City's financial statements.

Condition - One individual in the City has control over the cash receipts listing, bank deposits and the posting of cash receipts to the cash receipts journal, general ledger, posting, reconciliations and investment control and custody.

Cause - The City has a limited number of employees and procedures have not been designed to adequately segregate duties or provide compensating controls through additional oversight of transactions and processes.

Effect - Inadequate segregation of duties could adversely affect the City's ability to prevent or detect and correct misstatements, errors or misappropriation on a timely basis by employees in the normal course of performing their assigned functions.

Recommendation - The City should review its control activities to obtain the maximum internal control possible under the circumstances utilizing currently available staff, including elected officials.

Response - We have reviewed procedures and plan to make the necessary changes to improve internal control. Specifically, the cash receipts listing, depositing and posting duties will be separated and spread among different employees and the City Council will also start reviewing and tracing all deposits to the cash receipts journal posting..

INSTANCES OF NON-COMPLIANCE:

No matters were noted.

CITY OF ALTOONA

Schedule of Findings - Continued

Year ended June 30, 2020

Part III: Other Findings Related to Required Statutory Reporting:

- III-A-20 Questionable Disbursements - We noted no expenditures for parties, banquets, or other entertainment for employees that we believe may constitute an unlawful expenditure from public funds as defined in an Attorney General's opinion dated April 25, 1979.
- III-B-20 Travel Expenses - No disbursements of City money for travel expenses of spouses of City officials or employees were noted.
- III-C-20 Business Transactions - There were no business transactions noted between the City and City officials or employees.
- III-D-20 Certified Budget - Disbursements during the year ended June 30, 2020 exceeded the amounts budgeted in the Public Safety, Public Works, Community and Economic Development, Debt Service and Capital Projects Functions. Chapter 384.20 of the Code of Iowa states, in part, "Public monies may not be expended or encumbered except under an annual or continuing appropriation."
- Recommendation - The budget should have been amended in accordance with Chapter 384.18 of the Code of Iowa before disbursements were allowed to exceed the budget.
- Response - The budget will be amended in the future, if applicable.
- Conclusion - Response accepted.
- III-E-20 Bond Coverage - Surety bond coverage of City officials and employees is in accordance with statutory provisions. The amount of coverage should be reviewed annually to ensure the coverage is adequate for current operations.
- III-F-20 City Council Minutes - No transactions were found that we believe should have been approved in the Council Minutes but were not.
- III-G-20 Bonds - No instances of non-compliance with the Bond Resolutions were noted.
- III-H-20 Deposits and Investments - We noted no instances of non-compliance with the deposit and investment provisions of Chapter 12B and 12C of the Code of Iowa and the City's investment policy.
- III-I-20 Urban Renewal Annual Report - The urban renewal annual report was properly approved and certified to the Iowa Department of Management on or before December 1 and no exceptions were noted.
- III-J-20 Restricted Donor Activity - No transactions were noted between the City, City officials, City employees and restricted donors in compliance with Chapter 68B of the Code of Iowa.